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HOW TO SAVE BIMETALLISM.

French agriculture has suffered severely in the monetary crisis. In Lyons as well as in London, farmers and land-owners have discussed the effect of the demonetization of silver on the low prices of agricultural products. Farmers are bimetallists, in spite of the impossibility of any sound principle for maintaining a fixed ratio between silver and gold. For thirty years a solution has been sought for in vain. Everybody admits that no standard of value can be found between wheat and corn, between cotton and wool, between lead and iron,—their prices rise and fall, and no one thinks that any method can be hit upon to steady them in relation to one another.

Why should there be any obligatory equivalent between gold and silver? Men say that money is a measure of value; but the characteristic of scientific standards or measures is that they never change. Different coins however fluctuate just like other commercial articles. In Roman times copper coinage fluctuated. In the fifteenth and sixteenth centuries values and wages were affected by the large quantities of gold and silver sent to Europe from America. Later the discovery of gold in California produced such changes of value that Cobden and Michel Chevalier and other leading economists seriously proposed to demonetize gold and to make silver the sole legal tender. The Australian mines brought on another monetary crisis, and the reports of great gold finds in Africa and Borneo may be followed, if they are realized, by great changes in values.

The excessive production of silver in the United States and Mexico and elsewhere has been followed by such a crisis that even in British India the free coinage of silver has been suspended. These alternate movements of rise and fall are simply the inevitable result of causes that are perfectly well

understood in reference to all other products, and are governed by the natural law of supply and demand. Still it is claimed that a fixed obligatory relation or proportion between the two metals could be legally established. Can law determine the ratio between two unequal variable quantities?

Logic and experience have alike condemned any such monetary system. Calonne in the reign of Louis XVI. proposed, and Napoleon in 1803 decreed, an arbitrary proportion of 15.5 silver for one of gold, and this lasted until the great gold finds upset that relation.

Since then silver has lost half its real value, but preserved the whole of its nominal value. Five francs in silver are really worth only 2.50 francs in gold, yet the law still requires that five francs in gold should be given in exchange. It is really a counterfeit money that is thus put and kept in circulation, because we have a false and unsound theory that by law a fictitious value can be given to silver or to gold, although it would be impossible by law to attempt to fix the price of any other product. Money was not made simply to exchange gold for silver, but to serve as a common measure of value in all purchases and sales, in payment of wages, etc., and its use is primarily for the general convenience of the world. In business there are but two factors: the article to be bought or sold, and the money which measures its value and pays for it. These two items follow the market. Why introduce a third factor, money of changeable value, and try to put on it a fixed value? This is confusing a natural and free exchange with an artificial and forced exchange. Twenty dollars' worth of wheat is its value in gold, and not in silver at half its legal value, and the price of wheat depends on the market, on the supply and demand; while to have gold coin of one value and silver coin of another, is to introduce a third element of a very dangerous kind.

Every attempt to regulate the price of goods has failed in the end. To try to fix a legal ratio between gold and silver is only another effort to do what can only prove disastrous.

No solid monetary system can be based on a fixed ratio between coins varying in different proportions. If that fixed ratio be given up, then gold and silver will find their own level, and the purchase and sale of goods of all kinds may be made payable in gold or silver at the will of the contracting parties, and gold and silver will be exchanged for one another or for goods at their real market value. In France there will be a great outcry at such a proposal, yet France feels the effect of the present condition of affairs very sharply indeed. The legal ratio between gold and silver only masks the real danger which it creates, and the suspension of silver coinage is practically equivalent to making gold the standard. This preventive measure, however, was adopted so late that many hundred millions of gold were previously taken by Germany from France, in exchange for depreciated thalers, which the French mint kindly recoined into French silver. It was selling our gold at half price. Renew the coinage of silver, and French gold will again go abroad, to be replaced by silver worth only half its nominal value. The choice is between abolishing free coinage of silver, and regular bimetallism, or, to give up all legal ratio between gold and silver which is the first condition of honest bimetallism.

Some bimetallists reverse the question. Instead of stopping the monetary fiction that now exists in France, they would extend it throughout the whole world, on the ground that as soon as all the civilized people of the globe unanimously agree to accept inferior coin as good money, then there will be no more bad money anywhere, and no ruinous changes, no dangerous crises. The law guarantees in France and in the Latin Union, the full nominal value of depreciated money—make this universal and you have the evil remedied. There is little probability that thirty sovereign nations will ever come to any such agreement. In England, it is thought there is already a party favoring bimetallism. No doubt England would support a measure that brings to

London the gold driven out of other countries. Bimetallism may well be welcomed in England as an article of exportation. As to applying it at home, there is no likelihood, for hereditary habit makes gold the only standard in England.

Germany has already shown its opinion by demonetizing silver. The difficulties resulting from the Latin Union are not likely to overcome the hesitation of governments little inclined to give up their financial independence. Suppose there was such a universal agreement, would it put up the price of silver? Free coinage forced on the entire world, would only inundate it with silver coin, which would soon fall until the money market would find it only "metallic assignat." Could any agreement compel people to overlook the relative value of the two sorts of metallic money? Everybody would try to accumulate a stock of the more precious coin, just as happens in countries with legal tender or other arbitrary paper money. Could any law prevent individuals from stipulating for payment in silver or gold, according to their respective intrinsic values, just as is done in bimetallic countries, in spite of the legal parity of the two kinds of money? If one of the contracting nations chose to resume its monetary independence, would the others try to constrain it by military force to renew its allegiance? Some people try to liken silver to bank notes, payable in gold—if the promise is loyally kept, then there is nothing more to be said. Silver, even if depreciated one-half, would still have a certain intrinsic value—a bank note has none, and depends for its currency on the credit of the corporation issuing it. Exchange at par for gold is more natural and legitimate with silver than with paper.

To discuss the place of silver is opening an endless field. A bank bill is a promise to pay gold, issued and signed by the payer, but silver with free coinage is a promise to pay in gold to be issued by the payee. A bank of issue regulates its notes by the ability to pay them—that gone, its

credit is lost, its notes worthless. A free and unlimited coinage of silver can only be profitable as it falls in value, thus making the gain depend on the amount of the depreciation of silver. Wherever free coinage and a forced legal ratio go hand in hand, the inferior coin will steadily fall in value, and the good coin will just as steadily be withdrawn from circulation to be hoarded. Abolish all attempts to fix a legal ratio, and every coin will find its own level. Gold will not be subject to the risks of change in the nominal par. Silver will be limited in coinage by the voluntary act of the producers, and will have more real value than any law can give it.

The monetary question in the United States shows the inextricable difficulties and dangers of bimetallism. Naturally, in a silver producing country like the United States, general interests are subordinated to those of powerful individuals and corporations directly interested on one side of the question. There is a real political party composed of both Democrats and Republicans, united by their common interest in raising the price of silver. The silver men, strictly speaking, are the main group—led by the owners and shareholders in mines, and supported by capitalists and speculators who own or control silver mines in the United States, in Mexico, Bolivia, Chile, and other silver producing countries of the new world. The game is managed by politicians, who know how to throw powder in the eyes of the voters. It is silver powder that is used to influence the farmers of the West, always great borrowers and fanatical partisans of a system that offers the precious advantage of repaying in silver at its nominal value the amounts loaned them in gold at its real value, practically at fifty per cent of the actual debt. The old proverb is that the man who pays his debts gets rich by doing so, but producers are easily led to believe that the multiplication of silver coinage will raise the price of their stock and crops and increase their profit. The bulk of the people confound the increase of the

stock of metal coin with a real increase of wealth, and "inflation" is a word that works like a charm, apparently making an actual addition to the fortune of every man alike in North and South America. A syndicate of ignorance, error and self-interest tries to gain the triumph for silver or soft money, only to enable the managers to exchange it for gold at a profit of fifty per cent.

The different efforts of the leaders are too recent to need any repetition. The so-called Sherman Law compelled the Federal government to buy periodically a large stock of silver, and to issue treasury notes, redeemable in gold or silver, and then to coin the silver into pieces of a nominal value about double their intrinsic value, but always exchangeable for gold at par. Then there was an issue of silver certificates, payable only in silver. This complicated mechanism, involving gold and silver, paper and good and depreciated money, was all intended to provide for the silver men a permanent market for their productions, to prepare the way for exclusive silver coinage, and to enable them to realize a profit by exchanging fifty cents' worth of silver for a dollar in gold. It was far beyond any dream of the alchemists of the Middle Ages in their search for the transmutation of metals. It was done openly without expense or risk, by a sort of official alchemy, with the help of legal tender paper as a solvent. The evil results were soon apparent. American gold steadily went abroad in increasing amounts, and only the power of the Custom House* to collect duties on importations in gold prevented the almost total disappearance of gold from circulation in the very

* [Mr. Horace White, of New York, in commenting on this statement made by the Duc de Noailles in a French article on the same subject, published in the *Revue des Deux Mondes* for September 1, 1894, calls attention to the slight error in our French critic's statement. Customs duties in the United States were payable in gold, meaning gold exclusively, until the resumption of specie payments in 1879, at which time greenbacks were made receivable by *Treasury Order*. Since the Act of 1890, silver dollars, silver certificates and treasury notes are received for customs. In June, 1889, 94½ per cent of customs duties were paid in gold; in July, 1894, none was paid in gold; and in August, 1894, only one-half of one per cent.]

country that produces it so largely. Happily, President Cleveland put a stop to all these manœuvres. Not only did he secure the repeal of the Sherman Law, but he also vetoed the Seignorage bill, which threatened to injure American finances. He is heartily supported by all who demand a sound currency; but the silver men still protest, and their leader in Congress, Mr. Bland, insists on the re-establishment of free coinage.

As long as the temptation exists of making a great profit by a popular and apparently inoffensive law, there will be found politicians to advocate it, and fools or worse to vote for them. There always is the veto; but will the next President use it? In Europe there is no such personal interest, and there is no such constitutional power to escape threatened mischief by unsound legislation. Why, then, should there be such a blind attachment to a system that must in the end sacrifice good money for bad? A few speculators and middle men may profit by it, but their interest is not the only thing to be considered. Some countries, with depreciated currency and bad financial conditions, may benefit, and some economists may argue that they are entitled to the advantage of such an international comity, but it could not last, nor is it desirable that it should.

In spite of all the growing facilities for a rapid exchange of commodities between different distant countries, banks and large corporations feel the necessity of maintaining large reserves in coin, to sustain their credit on a solid foundation. That precaution would be illusory if the money thus put away was to lose its full value. Europe is still the banker of the whole world. Its credit is based on the great capital accumulated in the last seventy or eighty years. A thoroughly sound currency and a coinage of absolute and unchangeable value alone can guarantee the material superiority of its resources. Europe has risks that are not known in the United States, and would pay much more dearly for the error of an imprudent system of bimetallism. If war

were to break out in Europe, requiring the banks and bankers and the national treasuries to throw their resources and reserves broadcast throughout the markets of the world, a great shock would be the result if the stock of silver was found to be worth only half its nominal value. Yet the every-day exchange of silver and gold on a false ratio might very well bring about just such a result. A wise economist said that the real value of national currency depends on what it is worth abroad, not on what it passes for at home.

Admitting that bimetallism is to-day in a bad way, does it follow that the two metals cannot be safely used? The farming interest in France certainly believes in silver coinage. Logically, there is no good argument for it, and the legal fiction by which it is sought to keep silver in use, as well as gold, has only done harm to both metals; but why not try a parallel and independent bimetallism? It would bring back a real, sound, truthful value to both gold and silver. Each would have its own value, based on the weight of the coins either in gold or in silver, without any proportion or ratio. Put aside all idea or notion of comparative value, and let it be one absolute market value of so much weight of metal. The value of a coin as such is a mere guess, for it changes according to the rise or fall of the market; but a fixed weight can always be made permanent whether it be gold or silver.

The parallel existence of two kinds of independent metal coins would enable business men to choose one or the other according to the varied needs of international exchanges. Gold for England or Germany, silver for Mexico or China, just as the buyer and seller choose to arrange. Every country could give and receive the money in use within its borders. The weight of the metal exchanged would be the true and universal monetary unit, and civilized States could agree upon a unit of weight, just as at Chicago they adopted the same electric units.

It may be said that the suppression of the existing ratio would reduce by one-half the value of the metallic stock of silver, and thus inflict an enormous loss on the nations now encumbered by it. But silver is not entitled to the privilege of anything more than its real value. At all events, the loss has already been made, and it is not increased by admitting the fact, any more than it is lessened by refusing to recognize it. The thousand millions of silver now held by various nations may be quoted and reported at their nominal value in Treasury Reports or in bank balances; but they are only worth five hundred millions in the world's markets, and it would be just as well to say so frankly and fairly. In domestic dealings within the limits of the countries with forced legal ratios, there would be some practical difficulties in the process of transition from the old to the new system. But in France to-day the five-franc silver piece is only a conventional coin, and its real value has little to do with its convenience in use. Even the partisans of real bimetallism are ready to agree to necessary sacrifices and to change the present legal ratio—that means a loss large or small; Why not put an end to all ratio, and get at the real truth of the case?

The final solution of the problem must come from America, which supplies one-half at least of all the silver produced in the world. The principal silver interest in the two American continents, North and South, is centred in forty persons or groups, largely located in the United States. These "Silver Kings," few in number, are the masters of the market. It depends on them whether silver shall be restored to its lost value, and the fate of silver is in their hands. Their true plan is to work honestly for a sound financial reform. It is useless for them to try by secret schemes to profit by the enormous difference between the real and the nominal value of silver. There must be an end to their efforts to repeal the law which forbids the coinage of silver for individuals; to all attempts to re-establish the circulation

of depreciated money, at the risk of driving gold from the country and ruining the national credit.

A new campaign should be inaugurated, with the platform of honest free silver, and free and honest bimetallism—silver at its real value, and no ratio between it and gold. When the legal authority ratifies such a plan, free coinage will have no danger. Instead of being suspected if it is circulated, or useless if it is stored up, the silver dollar will be an honest dollar, and will take its proper place in the monetary world. The American silver men will, of course, laugh at the suggestion that they should thus sacrifice their present profit for the future benefit of real independent bimetallism. The syndicate of silver men relies on its power to carry with it the opinion and the votes of the masses, and thus to defy the enlightened public opinion of the minority. It hopes to revenge itself for the blow inflicted by Cleveland's veto. It may get from Congress such legislation as will for a time give silver a priority even over gold in its coining. But nothing can prevent the final victory of truth and justice in the end. It is a noble maxim of American liberty that no man should go to the extreme of his right. The real interest of the bimetallists of the United States lies in not carrying out to the bitter end all their faults.

No human power could prevent the fall of silver. Clever management would lead the silver men to submit to the inevitable with a good grace and get out of it all they can. The fortunes gained in bonanza mines will not be seriously affected, and the independence of the two metals will mark a new departure which will open to both an honorable career and restore them to their normal conditions. The coined silver will be simple merchandise, just as gold is for many purposes, and the owners of silver mines will make their profit by selling or buying silver at the current market rates. The price will naturally advance, for the profit in exchanging silver for gold will depend on preventing a superabundant supply, and the interest of the producer, in conformity with

the law of supply and demand, will regulate the production according to the market. If there is really need for double the present circulating silver coin, so as to make its nominal value equal to its real value, then silver mine owners will find a market for just double the stock, and the increase in quantity will compensate at least in part for the fall in price. If there is an excess of silver coinage in circulation, why should the mine owners be helped by forced purchases by the national treasury of an article which it can not use or sell?

Suppose the silver syndicate sacrifices half to save the other half of its stock of silver,—would that not be better than a final crisis which would irrevocably end in demonetizing silver and establishing a gold standard all the world over? The silver men of the United States can either bring on the bankruptcy or the real re-establishment of silver as a marketable commodity.

Now is the time to raise silver to its proper place, by using it in a simplified method of international exchanges. Make silver a medium for that and it will regain much of its lost credit. To begin, why should not Americans make a new silver coin of which the weight should fix its value? There is no need of a legal ratio or of any change in the current coins, but there would thus be a new coin that could readily be used to facilitate exchange with other countries. Such a new coin should retain the good old name of dollar, but to avoid confusion with old issues, it should be called the "sterling dollar," for it would be used in England and especially in India. The weight should be stamped in grammes, as a recognition of the scientific and practical value of the French metrical system. The face of the coin might well have clasped hands, with the title "Universal Sterling Dollar" and the weight legibly engraved. The reverse could give its equivalent in the weight of different countries where it is sure to be used, for India, Japan, China, Africa, South America would all welcome the "Universal Dollar," in place

of the silver bars used now in the far East,—which have now, too, no other value than their weight. Such coin would soon drive out of circulation pieces with only half their nominal value,—and doubtful piastres, rastadouros, trade dollars and other such mischief makers in international exchanges. As far back as 1881 a German economist, Eggers, proposed a "Trade Dollar," which should meet all the requirements; but he wanted it to be made legal. Why not leave it to be first tried as a commercial venture, and not enter on the doubtful field of financial legislation? Why try to reduce it to the terms of a law? The American silver men could soon get the world to accept such a coin.

The real difficulty of the situation seems to rest on these points: the absolute impossibility of securing the concurrence of the producers of silver in the United States in any system of independent bimetallism; the extension of any system of bimetallism depends next on the participation of England, which seems, like Germany, absolutely opposed to its recognition in any form. On the other hand, the present condition is full of peril. Governments may well hesitate to face an immediate money crisis in order to escape future risks; but when the time comes to act, it will never do to build up again a faulty system on a legal lie. The choice is between the two parties, those who recognize the possibility and advantage of some form of independent parallel bimetallism, and believe in honest silver in the money of the world, or those who are loyal only to gold monometallism.

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[This statement of the views of the Duc de Noailles was prepared for the Academy, at his request, by Mr. J. G. Rosengarten.]